

Message Text

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C O N F I D E N T I A L MOSCOW 13291

FOR EUR/SOV (EDGAR)

E.O. 11652: GDS
TAGS: EEWT, ETRD, ASEC, UR
SUBJECT: RELOCATION OF INTOURIST OFFICES IN NEW YORK

REF: STATE 96024 AND PREVIOUS

1. AMEXCO'S MOSCOW REPRESENTATIVE TEDESCO REPORTED TO EMBASSY JUNE 5 THAT SINCE APRIL 7 WHEN DEPARTMENT GRANTED APPROVAL FOR INTOURIST TO OPEN ITS OFFICES IN NEW LOCATION IN NEW YORK, THERE HAS BEEN NO MOVEMENT BY SOVIETS REGARDING AMEXCO'S NEW PREMISES IN MOSCOW. MOREOVER, AMEXCO V.P. HANSEN-STURM'S ASSURANCES (REFTEL) NOTWITHSTANDING, THERE HAS BEEN ABSOLUTELY NO PROGRESS ON PROBLEM OF DEPUTY REP MARSCHALKO'S SOVIET DRIVER'S LICENSE WHICH IS NOW IN HANDS OF POLICE. ALTHOUGH TEDESCO WAS UNABLE TO SPECIFY WHAT EFFORTS HAD BEEN MADE BY AMEXCO NEW YORK TO PUSH SOVIETS ON THESE MATTERS, HE WAS CLEARLY UNHAPPY WITH UNRESPONSIVENESS OF INTOURIST OFFICIALS TO HIS SEVERAL REQUESTS FOR ACTION. ACCORDING TO TEDESCO, IT HAD BEEN UNDERSTOOD DURING EX-CHAIRMAN HOWARD CLARK'S VISIT TO MOSCOW IN
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MARCH THAT NEW AMEXCO OFFICE PREMISES ON BOL'SHAYA SADOVAYA (ULITSA KUDRINSKAYA) WOULD BE MADE AVAILABLE FOR RENOVATION AND INITIAL OCCUPANCY BY MID-MAY

2. EMBASSY IS CONCERNED AT THIS DELAY BY INTOURIST IN IMPLEMENTING ITS PART OF THE PROPERTY BARGAIN BUT EVEN MORE BY THE CALLOUS HANDLING OF THE AMEXCO DEPUTY REPRESENTA-

TIVE. IT APPEARS TO US THAT AMEXCO HEADQUARTERS IN NEW YORK MAY HAVE LET DOWN ITS GUARD SOMEWHAT IN AURA OF "IMPROVED RELATIONS" WITH INTOURIST FOLLOWING CLARK VISIT IN MARCH. NEVERTHELESS, THIS APPEARS TO BE ANOTHER CASE OF BAD FAITH ON PART OF THE SOVIETS. THERE IS A QUESTION OF PRINCIPLE AT STAKE INVOLVING BOTH A U.S. BUSINESSMAN'S RIGHTS AS WELL AS THOSE OF A U.S. FIRM ACCREDITED BY THE SOVIET GOVERNMENT TO CARRY OUT COMMERCIAL ACTIVITIES HERE IN LOOKING INTO WHAT MIGHT BE DONE TO RECTIFY THE MATTER, WE HAVE REVIEWED AGREEMENT SIGNED BETWEEN AMEXCO AND INTOURIST ON SEPTEMBER 28, 1956, AND NOTE THAT IT SETS NO NUMERICAL LIMITS ON NUMBER OF STAFF PERSONNEL EACH ORGANIZATION MIGHT ASSIGN TO ITS OFFICES IN OTHER'S COUNTRY. WE WONDER IF THERE WAS ANY SUBSEQUENT AGREEMENT BETWEEN THE TWO FIRMS WHICH WOULD HAVE AUTHORIZED INTOURI TO MAINTAIN ANY GIVEN NUMBER OF REPRESENTATIVES IN THE OTHER'S COUNTRY. UNLESS THERE IS SUCH A COMMITMENT - WHICH COULD OF COURSE BE WITHDRAWN, IF NECESSARY - WE BELIEVE THAT IMBALANCE BETWEEN THE SIX OR SEVEN SOVIET EMPLOYEES OF INTOURIST IN U.S. AND THE TWO AMERICANS EMPLOYED BY AMEXCO IN THE USSR AFFORDS US LEVERAGE FOR MAKING SOVIETS, AT A MINIMUM, MEET THEIR COMMITMENTS IN THIS CASE. IF THEY DO NOT DO SO, THEN WE OUGHT TO THINK SERIOUSLY ABOUT REDUCING THE NUMBER OF SOVIET PERSONNEL OF INTOURIST IN THE U.S. DOWN TO THAT OF AMEXCO IN THE U.S.S.R.

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3. RECOMMENDATION: WE BELIEVE THAT THE DEPARTMENT SHOULD BRING THIS SITUATION EXPEDITIOUSLY TO THE ATTENTION OF TH SOVIET EMBASSY, POINTING OUT THAT INTOURIST HAS NOT LIVED UP TO ITS BARGAIN. WE RECOMMEND THAT DEPARTMENT PUT SOVIETS ON NOTICE THAT UNLESS MARSCHALKO IS IMMEDIATELY RESTORED HIS DRIVER'S LICENSE AND UNLESS AMEXCO PROMPTL RECEIVES ITS NEW MOSCOW PREMISES (AS REQUESTED IN DEPARTMENT'S NOTE OF APRIL 7, 1978), WE WILL BE OBLIGED T REVIEW THE NUMBER OF INTOURIST EMPLOYEES IN THE UNITED STATES WITH A VIEW TO ESTABLISHING PARITY BETWEEN IT AND AMEXCO'S OFFICE. TOON

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